

Letter to the shareholders

November 2008

Fellow shareholders and
business associates,

BAVARIA Industriekapital AG continued its growth in the first nine months of 2008. Compared to the previous year, the turnover rose by 30% to EUR 376 million and the consolidated net income during the first nine months of 2008 was EUR 28 million (previous year EUR 2 million). The operating income of the affiliated companies before depreciation and amortization (EBITDA) improved to almost EUR 19 million (previous year EUR 12 million). The affiliates Kienle + Spiess Group and Fonderie du Poitou Aluminium contributed a total of EUR 20 million to the results of the first nine months.

The financial resources of our group rose to EUR 61 million, despite outflows for dividend payments 2007 and share buybacks in an aggregate amount of EUR 21 million. Overall, an additional EUR 2 million have been used for share buybacks since the end of the 2007 financial year, the share buyback program will be continued within the scope of the existing approval of the annual shareholder meeting.

Notwithstanding the tense economic conditions, we expect another increase in profits during the fourth quarter. Amongst others, one positive factor marks the rapid success of the restructuring efforts at the newly acquired companies Xenterio and Faral; after several years of losses, they made a positive earnings contribution for the first time with EUR 1 million in the third quarter. By virtue of the traditionally stronger output in the fourth quarter, we also expect a stronger performance increase for the majority of affiliates in the plant engineering sector. A pronounced earnings decline is however foreseen at the French affiliate Fonderie du Poitou Aluminium in the serial manufacturing / automotive sector as a result of the major slump in the local automotive market.

We have a very positive assessment of the market for making new acquisitions at attractive terms. Our excellent track record in restructuring and revitalizing about twenty companies by now and our good reputation, particularly in the important automotive industry, are especially helpful for this.

At the beginning of the third quarter 2008, the Executive Management of BAVARIA was expanded and Harald Ender has joined our Executive Board. The manager with 27 years of leadership experience in the automotive industry is responsible for the operative restructuring

of the portfolio companies. Harald Ender has been an executive director of a BAVARIA Industriekapital AG portfolio company since October 2005. Since August 2007 he has been working as a restructuring director for the holding.

In November 2008, we supported the non-profit organisation EXIT (www.exit-deutschland.de) with a contribution in the amount of EUR 50,000. With this contribution, we provided important assistance to dropouts from the extreme right-wing milieu, enabling them to start a new, self-determined life. Both BAVARIA and the EXIT organisation consider it essential to improve the perspectives for the future and to be a competent contact person at all times. This common ground and the desire for social commitment are the reason why we stuck up as a mentor for EXIT.

We can assure our shareholders and business associates that we have every confidence in the development of the Bavaria group in spite of the tense economic conditions. We are especially optimistic about the possibility to complete new acquisitions at attractive terms. We thank you for your trust. Please let us know any suggestions, improvements or ideas on new transactions you might have.



Reimar Scholz
Chief Executive Officer